

COMMUNITIES IN SCHOOLS OF TENNESSEE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2017 AND 2016

COMMUNITIES IN SCHOOLS OF TENNESSEE
Financial Statements
JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Communities In Schools of Tennessee

We have audited the accompanying statement of financial position of Communities in Schools of Tennessee as of June 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities in Schools of Tennessee as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Thomason Financial Resources

December 11, 2017

COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|---------------------|-------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 1,042,283 | \$ 195,540 |
| Grants receivable | 210,567 | 740,328 |
| Accounts receivable | 49,500 | - |
| Prepays | 23,409 | - |
| Total current assets | <u>\$ 1,325,759</u> | <u>\$ 935,868</u> |
| Noncurrent Assets | | |
| Furniture | \$ 5,125 | \$ 5,125 |
| Less: accumulated depreciation | <u>(641)</u> | <u>(128)</u> |
| Total equipment | <u>4,484</u> | <u>4,997</u> |
| Total assets | <u>\$ 1,330,243</u> | <u>\$ 940,865</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------------|-------------------|
| Current Liabilities | | |
| Accounts payable | \$ 23,987 | \$ - |
| Accrued liabilities | 58,017 | 28,253 |
| Deferred revenue | <u>-</u> | <u>18,000</u> |
| Total current liabilities | 82,004 | 46,253 |
| Net Assets | | |
| Unrestricted | 281,896 | 378,693 |
| Temporarily restricted | <u>966,343</u> | <u>515,919</u> |
| Total net assets | <u>1,248,239</u> | <u>894,612</u> |
| Total liabilities and net assets | <u>\$ 1,330,243</u> | <u>\$ 940,865</u> |

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Revenue | | | |
| Public support: | | | |
| Grant income | \$ 1,361,662 | \$ 966,343 | \$ 2,328,005 |
| Contributions | 176,930 | - | 176,930 |
| In kind contributions | 7,500 | - | 7,500 |
| Special event revenue: | | | |
| Revenue | 20,400 | - | 20,400 |
| Less direct costs | (4,110) | - | (4,110) |
| Net revenue from special events | 16,290 | - | 16,290 |
| Total public support | 1,562,382 | 966,343 | 2,528,725 |
| Other revenue: | | - | |
| Program service fees | 488,000 | - | 488,000 |
| Interest income | 5,991 | - | 5,991 |
| Total other revenue | 493,991 | - | 493,991 |
| Net assets released from restrictions | 515,919 | (515,919) | - |
| Total public support and other revenue | 2,572,292 | 450,424 | 3,022,716 |
| Expenses | | | |
| Program services | 2,182,618 | - | 2,182,618 |
| Supporting services: | | | |
| Management and general | 320,282 | - | 320,282 |
| Fundraising | 166,189 | - | 166,189 |
| Total supporting services | 486,471 | - | 486,471 |
| Total expenses | 2,669,089 | - | 2,669,089 |
| Change in net assets | (96,797) | 450,424 | 353,627 |
| Net assets at beginning of year | 378,693 | 515,919 | 894,612 |
| Net assets at end of year | <u>\$ 281,896</u> | <u>\$ 966,343</u> | <u>\$ 1,248,239</u> |

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------|
| Revenue | | | |
| Public support: | | | |
| Grant income | \$ 1,180,585 | \$ 739,841 | \$ 1,920,426 |
| Contributions | 69,314 | - | 69,314 |
| In kind contributions | 8,733 | - | 8,733 |
| Total public support | 1,258,632 | 739,841 | 1,998,473 |
| Other revenue: | | - | |
| Program service fees | 361,000 | - | 361,000 |
| Interest income | 2,460 | - | 2,460 |
| Total other revenue | 363,460 | - | 363,460 |
| Net assets released from restrictions | 558,375 | (558,375) | - |
| Total public support and other revenue | 2,180,467 | 181,466 | 2,361,933 |
| Expenses | | | |
| Program services | 1,614,398 | - | 1,614,398 |
| Supporting services: | | | |
| Management and general | 280,886 | - | 280,886 |
| Fundraising | 135,870 | - | 135,870 |
| Total supporting services | 416,756 | - | 416,756 |
| Total expenses | 2,031,154 | - | 2,031,154 |
| Change in net assets | 149,313 | 181,466 | 330,779 |
| Net assets at beginning of year | 229,380 | 334,453 | 563,833 |
| Net assets at end of year | <u>\$ 378,693</u> | <u>\$ 515,919</u> | <u>\$ 894,612</u> |

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | | |
|--|---------------------|--------------------|
| Cash Flows From Operating Activities: | <u>2017</u> | <u>2016</u> |
| Change in net assets | \$ 353,627 | \$ 330,779 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 512 | 128 |
| Changes in operating assets and liabilities: | | |
| Grants receivable | 529,761 | (735,328) |
| Accounts receivable | (49,500) | |
| Prepays | (23,409) | |
| Deferred revenue | (18,000) | 18,000 |
| Accounts payable | 23,987 | |
| Accrued liabilities | 29,765 | 15,515 |
| Net cash provided by (used in) operating activities | <u>846,743</u> | <u>(370,906)</u> |
| Cash Flows From Investing Activities: | | |
| Purchases of equipment | <u>-</u> | <u>(5,125)</u> |
| Net cash used in investing activities | <u>-</u> | <u>(5,125)</u> |
| Net change in cash and cash equivalents | 846,743 | (376,031) |
| Cash and cash equivalents at beginning of year | 195,540 | 571,571 |
| Cash and cash equivalents at end of year | <u>\$ 1,042,283</u> | <u>\$ 195,540</u> |
| <u>Supplemental schedule of noncash operating activities:</u> | | |
| In-kind contributions of facilities | \$7,500 | \$7,500 |
| In-kind contributions of accounting services | <u>-</u> | <u>1,233</u> |
| Total in-kind contributions | <u>\$7,500</u> | <u>\$8,733</u> |

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|--|-----------------------------|---------------------------------------|--------------------|---------------------------|
| Salaries | \$ 1,582,050 | \$ 95,522 | \$ 118,649 | \$ 1,796,221 |
| Employee benefits | 208,926 | 14,443 | 17,592 | 240,961 |
| Payroll taxes | 129,087 | 7,740 | 9,524 | 146,351 |
| Total compensation | <u>1,920,063</u> | <u>117,705</u> | <u>145,765</u> | <u>2,183,533</u> |
| School program materials | 92,109 | - | - | 92,109 |
| Other materials | 8,498 | - | 10,845 | 19,343 |
| Professional fees & consulting | 15,947 | 129,145 | 1,953 | 147,045 |
| Outside contract services | 30,635 | 31 | - | 30,666 |
| Training | 27,525 | 622 | 995 | 29,142 |
| Travel and meetings | 26,896 | 3,061 | 3,652 | 33,609 |
| Telephone and telecommunications | 27,018 | 5,072 | - | 32,090 |
| Equipment and maintenance | 3,553 | - | - | 3,553 |
| Office rent | 16,326 | 48,674 | - | 65,000 |
| Software and license fees | 6,675 | - | - | 6,675 |
| Printing and postage | - | 387 | 507 | 894 |
| Supplies | 6,042 | 3,054 | - | 9,096 |
| Payroll processing | - | 4,270 | - | 4,270 |
| Insurance | - | 7,212 | - | 7,212 |
| Depreciation | - | 512 | - | 512 |
| Miscellaneous | 1,331 | 537 | 2,472 | 4,340 |
| Direct expenses of special events | - | - | 4,110 | 4,110 |
| Total expenses by function | <u>2,182,618</u> | <u>320,282</u> | <u>170,299</u> | <u>2,673,199</u> |
| Less: expenses netted with revenue on statement of activities; | | | | |
| Direct expenses of special events | - | - | (4,110) | (4,110) |
| Total expenses by function | <u>\$ 2,182,618</u> | <u>\$ 320,282</u> | <u>\$ 166,189</u> | <u>\$ 2,669,089</u> |
| Current year's percentages | 81.77% | 12.00% | 6.23% | 100.00% |

The accompanying notes are an integral part of these financial statements

**COMMUNITIES IN SCHOOLS OF TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|----------------------------------|-----------------------------|---------------------------------------|--------------------|---------------------------|
| Salaries | \$ 1,136,596 | \$ 158,098 | \$ 90,098 | \$ 1,384,792 |
| Employee benefits | 164,407 | 10,419 | 13,708 | 188,534 |
| Payroll taxes | 95,077 | 10,728 | 7,541 | 113,346 |
| Total compensation | <u>1,396,080</u> | <u>179,245</u> | <u>111,347</u> | <u>1,686,672</u> |
| School program materials | 89,682 | - | - | 89,682 |
| Other materials | 1,835 | - | 12,053 | 13,888 |
| Professional fees & consulting | 10,691 | 24,272 | 4,572 | 39,535 |
| Outside contract services | 4,110 | 3,200 | - | 7,310 |
| Training | 21,811 | 2,556 | 355 | 24,722 |
| Travel and meetings | 19,898 | 7,959 | 5,873 | 33,730 |
| Telephone and telecommunications | 14,198 | 2,914 | - | 17,112 |
| Equipment and maintenance | 23,598 | 9,406 | 598 | 33,602 |
| Office rent | 15,856 | 34,817 | - | 50,673 |
| Software and license fees | 8,460 | - | - | 8,460 |
| Printing and postage | - | 2,547 | 82 | 2,629 |
| Supplies | 5,103 | 5,831 | - | 10,934 |
| Payroll processing | 3,076 | 897 | - | 3,973 |
| Insurance | - | 4,713 | - | 4,713 |
| Depreciation | - | 128 | - | 128 |
| Miscellaneous | - | 2,401 | 990 | 3,391 |
| Total expenses by function | <u>\$ 1,614,398</u> | <u>\$ 280,886</u> | <u>\$ 135,870</u> | <u>\$ 2,031,154</u> |
| Current year's percentages | 79.48% | 13.83% | 6.69% | 100.00% |

The accompanying notes are an integral part of these financial statements

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Communities in Schools of Tennessee (the “Organization”), is a nonprofit organization headquartered in Nashville, Tennessee. The Organization’s purpose is to surround students with a community of support, empowering them to stay in school and achieve in life. The Organization fulfills its mission by collaborating with school districts and schools to place site coordinators in schools to assess students’ needs and provide resources tailored to each student. The Organization partners with local businesses, social service agencies, health-care providers and volunteers to provide food, supplies, counseling, academic assistance or a positive role model. The Organization earns income from schools for its services and is supported primarily through grants and individual contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. There were no permanently restricted net assets as of June 30, 2017 or 2016.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At June 30, 2017 and at June 30, 2016, the Organization had no cash equivalents.

Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services based on actual or estimated time employees spend on each function.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grants Receivable

The Organization considers grants receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Accounts Receivable

Accounts receivable are primarily non-interest-bearing amounts due from schools as annual fees for partnering with the Organization. The Organization considers accounts receivable are collectible in full. Accordingly, no allowance for doubtful accounts has been recorded.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Tax years that remain open to examination include years ended June 30, 2014 through June 30, 2017.

NOTE 2 – DONATED SERVICES AND FACILITIES

A board member donated accounting and financial services to the Organization in the amount of \$1,233 during the fiscal year ended June 30, 2016. Additionally, office space for state office operations was donated to the Organization in the amount of \$7,500 for each fiscal year ended June 30, 2017 and June 30, 2016.

NOTE 3 – CONCENTRATION OF RISK

Amounts held in a financial institution are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts.

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2017 and 2016 for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-------------------------|-------------------------|
| Technology upgrade | \$ 3,000 | \$ - |
| School sites in Memphis, TN | 902,568 | 419,134 |
| School sites in Nashville, TN | <u>60,775</u> | <u>96,785</u> |
| | <u>\$966,343</u> | <u>\$515,919</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-------------------------|-------------------------|
| School sites in Nashville, TN | \$ 96,785 | \$274,452 |
| School sites in Memphis, TN | <u>419,134</u> | <u>283,923</u> |
| Total restrictions released | <u>\$515,919</u> | <u>\$558,375</u> |

NOTE 5 – LEASE COMMITMENT

The Organization leases office facilities under two operating lease. Leases expire from March 30, 2018 to August 31, 2018. Rent expense for the years ended June 30, 2017 and 2016 totaled \$65,000 and \$50,673, respectively.

Future minimum rental payments under noncancellable operating leases are as follows:

| | Rents |
|------|------------------------|
| 2018 | 70,386 |
| 2019 | <u>6,884</u> |
| | <u>\$77,270</u> |

COMMUNITIES IN SCHOOLS OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – RETIREMENT PLAN

During fiscal year ended June 30, 2016, the Organization adopted a 401(k) plan whereby practically all employees may elect to contribute a portion of their salaries up to the Internal Revenue Code maximum annual limit. To be an eligible employee to participate in the plan, the employee must reach age 21. In addition, an employee is not required to complete a service requirement to participate in the plan. The plan provides for the Organization to make discretionary contributions to the plan. The Organization made a matching contribution to employees' salary reduction contribution up to a limit of 2% of annual compensation for year ended June 30, 2017. Contributions amounted to \$12,196 for year ended June 30, 2017.

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through December 11, 2017, the issuance of the Organization's financial statements.